

ORIGINAL
OPEN MEETING
MEMORANDUM



410

TO: THE COMMISSION

FROM: Utilities Division

DATE: January 26, 2007

RE: BOWIE POWER STATION, LLC APPLICATION TO EXTEND EXPIRATION
DATE OF CERTIFICATES OF ENVIRONMENTAL COMPATIBILITY
GRANTED IN DOCKET NO. L-00000BB-01-0118, DECISION NO. 64625
AND DECISION NO. 64626 CASE NO. 118

Attached is the Staff Report and Proposed Order that considers the merits of granting an extension to the power plant and transmission line Certificates of Environmental Compatibility ("CEC") granted in Decision Nos. 64625 and 64626 as requested by Bowie Power Station, L.L.C. ("Bowie" or "Company"). Staff recommends that the Company be granted a time extension for the CECs issued in Decision Nos. 64625 and 64626 such that the CECs would now expire on December 31, 2010. In addition, if the Company wishes to pursue the construction of a new type of power plant (i.e., integrated gasification combined cycle), Staff recommends that the Company be ordered to file an application for a new CEC for such a power plant, and that new hearings be held by the Arizona Power Plant and Transmission Line Siting Committee to consider issuing a new and separate CEC for that power plant. Staff further recommends that if Bowie files such an application and is granted a CEC for the new plant, that the CEC granted by Decision No. 64625 be null and void upon issuance of the new CEC. In addition, Staff recommends that the time extensions for both Decision Nos. 64625 and 64626 be amended to include conditions that have been added to CECs issued subsequent to Decision Nos. 64625 and 64626.

Ernest G. Johnson
Director
Utilities Division

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ORIGINATOR:

Arizona Corporation Commission
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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**IN THE MATTER OF THE APPLICATION OF
BOWIE POWER STATION, LLC IN COCHISE AND
GRAHAM COUNTIES, ARIZONA**

**DOCKET NO. L-00000BB-01-0118
TIME EXTENSIONS FOR DECISION NOS. 64625 & 64626
CASE NO. 118**

JANUARY 26, 2007

STAFF ACKNOWLEDGMENT

The Staff Report for Bowie Power Station, LLC in Cochise and Graham Counties, time extension requests for Decision Nos. 64625 and 64626, Arizona Docket No. L-00000BB-01-0118, was the responsibility of the Staff member listed below.

A handwritten signature in cursive script that reads "Prem K. Bahl".

Prem K. Bahl
Electric Utilities Engineer

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INTRODUCTION

On July 27, 2001, Bowie Power Station, LLC ("Bowie" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for two Certificates of Environmental Compatibility ("CEC"). Decision No. 64625 authorized the construction of a 1,000 megawatt ("MW") natural gas-fired, combined-cycle power plant. Decision No. 64626 authorized the construction of the 345 kV and 345 kV/230 kV switchyards, a 345 kV double-circuit transmission line and a 230 kV interconnection and related facilities in Cochise and Graham Counties, Arizona. The Commission granted the two CECs on March 7, 2002, subject to a set of conditions.

On August 18, 2006, the Company filed a Request For Extension of CECs ("Extension") approved in Decision Nos. 64625 and 64626. The Extension is based on Condition No. 22 in Decision No. 64625 and Condition No. 10 in Decision No. 64626, which allow that the Applicant may request an extension of the CEC before the time limitation to complete construction. This Extension requests that the expiration date for the construction of the power plant and transmission line be extended from March 27, 2007 until (i) March 27, 2008 or (ii) that date upon which the Commission issues a final non-appealable decision in a separate proceeding regarding whether the CECs granted under Decision Nos. 64625 and 64626 should be altered or amended, whichever is sooner. The Company anticipates this separate proceeding as a result of its plans to file a request pursuant to Arizona Revised Statute ("A.R.S.") § 40-252 to amend Decision No. 64625 at which time the Company would present updated environmental impact data for the Integrated Gasification Combined Cycle ("IGCC") plant that the Company is now considering constructing in place of the natural gas-fired combined cycle power plant.

In its Extension filed on August 18, 2006, the Company had anticipated filing the request for the A.R.S. § 40-252 proceeding "within the next few weeks." However, the Company's present position is that it now plans to file such a request with the Commission sometime in 2007. The Company plans to file a new application, which would propose to amend the original CEC and allow for the construction of a power plant with a new technology, such as IGCC, with an output of 560 MW in lieu of the approved 1,000 MW gas-fired combined cycle plant at the same location.

REASONS FOR EXTENSION

In the request for the Extension, the Company stated that it is considering modifying the design and technology of the approved plant from a 1,000 MW combined cycle plant (Decision No. 64625) to a 560 MW IGCC plant, based on the unrealized generation market development and uncertainty and volatility in gas prices. However, the Company has not totally abandoned the 1,000 MW gas-fired combined cycle plant. In subsequent discussions, Staff was informed that the Company is not planning to request a new CEC for the IGCC plant, but instead will request amendment of the existing CEC under A.R.S. § 40-252. The Company's approach would appear to be, at least in part, in response to the potential perception and/or actions of the investment community should the CEC lapse or the project be abandoned.

The request for the Extension pertaining to the transmission line approved in Decision No. 64626 is being requested to coincide with that of the power plant, but with the additional consideration that the route for the line may have to be altered. This route change is being contemplated in order to satisfy new requirements from the State Land Department ("SLD"). The SLD has changed its policies such that it is now requiring transmission lines to be sited along section lines. Bowie is currently working with the SLD on this issue.

STAFF'S ANALYSIS AND RECOMMENDATIONS

Staff has reviewed the Extension and the Company's rationale for the Extension. The Company's Self-Certification letter dated December 29, 2007, indicates that Bowie is in compliance with all requirements of Decision Nos. 64625 and 64626 up to this point in time. Staff believes that the Company's position in possibly changing the generation technology from a gas-fired plant to a clean coal technology may have some merit and may be reasonable given the market conditions and the volatility in gas prices experienced recently. However, Staff is also cognizant of significant environmental impacts of IGCC technology. IGCC allows for separation of carbon dioxide ("CO₂") from the gas stream. It is not known to Staff how Bowie would deal with the global warming related pollutant CO₂. According to Gary Crane of SouthWestern Power Group II, LLC ("SPG"), "Sequestering carbon in the ground or ocean is relatively inefficient and not as permanent as hoped and could impact groundwater." There are other issues of pumping of groundwater for a coal plant, which could cause or aggravate a ground fissure – a crack in the earth that can be 100 feet deep – from overpumping. Therefore, Staff believes that the Company should file an application for a new and separate CEC for the IGCC plant.

In addition, due to the fact that the Company has not made the decision to completely abandon the construction of the plant approved in Decision No. 64625, Staff recommends that the Company be granted an extension of time to construct the 1,000 MW gas-fired combined cycle plant. Since the construction of this plant has not yet commenced and the Company has not yet filed its application for a new CEC for the IGCC plant, Staff recommends that the expiration date for CEC granted by Decision No. 63625 be extended to December 31, 2010. This will allow the Company sufficient time to either construct the 1,000 MW plant or process a new CEC application for the 560 MW IGCC plant.

If the Company does file an application for a new CEC for the IGCC plant and such a CEC is approved by the Commission, Staff further recommends that the CEC issued in Decision No. 64625 become null and void upon issuance of the CEC for the new IGCC plant.

Another reason Staff is recommending approval of the CEC extension for the power plant is the presumption of need, as for the Gila Bend Power Partners Project (Decision No. 69177) that was recently approved by the Commission.

According to the 2006 WECC Power Supply Assessment, the Desert Southwest could be deficient in planned reserve margins as early as 2008. It is postulated by some parties that over the next two to three years the Arizona utilities are likely to fully grow into the currently idled

capacity or low capacity factor energy production of new gas fired generation constructed in Arizona since 2001. This is substantiated by the fact that APS and SRP both have Requests for Proposals ("RFPs") pending for new base load generation of 1,000 MW by the end of this decade.

There also appears to be a growing regional short term need for access to new resources being developed in the Desert Southwest. This need has been underscored by the discontinued operation of the Mohave Power Plant in southern Nevada. The construction of planned new power lines out of the Palo Verde Hub to California and Nevada will further enable transmission access between Arizona power plants and the larger western wholesale market.

The Bowie generation project is but one of 8 gas fired power plants with an authorized CEC approved by the Commission that have not been constructed. Those 8 plants total 5,575 MW in capacity. While the market needs for these plants are soft and ill-defined at the present time, there are signs that the industry is on the cusp of renewed interest in quick, short term, generation fixes for which these plants are well suited. All of these considerations seem to substantiate Bowie's presumption of possible need for its plant and other similar gas fired plants within the next five years.

As stated earlier, Decision No. 64626 approved the CEC for the transmission line associated with the Bowie generating station. This power plant cannot connect to the grid ~~without the associated transmission line. Therefore, for the reasons stated above, Staff~~ recommends that the CEC granted by Decision No. 64626 also be extended such that it would expire on December 31, 2010.

Since the CECs issued by Decision No. 64625 and 64626 were originally issued, subsequent CECs for power plants and lines have contained additional conditions that are not part of the CECs for the Bowie project. Therefore, Staff recommends that if the Commission grants the time extensions for the Bowie project as recommended by Staff, that it also add the following conditions:

For the Bowie power plant –

1. Applicant shall participate in Arizona subregional transmission planning forums such as SWAT (Southwest Area Transmission) and SATS (Southeast Area Transmission Study) on a regular basis and participate in each Biennial Transmission Assessment performed by the Commission.
2. Applicant shall document in its annual self-certification letter all steps taken in the previous year to seek a contract for capacity and energy production out of its plant. This should include participation in any and all generation adequacy or planning workshops or assessments sponsored by the Commission.
3. In extending the expiration date of the Certificate, the Commission considers the Certificate to be a package of inter-related requirements and conditions that must all remain in force in order to merit Commission approval. If the Applicant, its

successor(s) or assignee(s) pursue a legal challenge of any condition herein, the authority to construct facilities granted by this Commission Decision shall be revoked and the Certificate rendered null and void in its entirety without further order of the Commission.

For the Bowie transmission line –

1. Applicant shall annually file ten year plans with the Commission in accordance with A.R.S. § 40-360-2.A., participate in subregional transmission planning forums such as SWAT and SATS on a regular basis, and participate in each Biennial Transmission Assessment performed by the Commission.
2. In extending the expiration date of the Certificate, the Commission considers the Certificate to be a package of inter-related requirements and conditions that must all remain in force in order to merit Commission approval. If the Applicant, its successor(s) or assignee(s) pursue a legal challenge of any condition herein, the authority to construct facilities granted by this Commission Decision shall be revoked and the Certificate rendered null and void in its entirety without further order of the Commission.

RECOMMENDATIONS

Based on Staff's analysis, Staff recommends that:

1. the expiration date of the CECs approved in Decision Nos. 64625 and 64626 be extended to December 31, 2010,
2. if the Company wishes to pursue the construction of a new IGCC power plant, that it be required to submit an application with the Arizona Power Plant and Transmission Line Siting Committee for a new CEC instead of a request, pursuant to A.R.S. § 40-252, for an amendment to Decision No. 64625,
3. the CEC granted by Decision No. 64625 become null and void upon the issuance of a CEC for a new IGCC power plant,
4. if the expiration date for the CEC for the Bowie power plant granted by Decision No. 64625 is extended, that the following conditions be added to those already contained in Decision No. 64625 –
 - a. Applicant shall participate in Arizona subregional transmission planning forums such as SWAT and SATS on a regular basis and participate in each Biennial Transmission Assessment performed by the Commission,
 - b. Applicant shall document in its annual self-certification letter all steps taken in the previous year to seek a contract for capacity and energy production out of its plant. This should include participation in any and all

- generation adequacy or planning workshops or assessments sponsored by the Commission,
- c. In extending the expiration date of the Certificate, the Commission considers the Certificate to be a package of inter-related requirements and conditions that must all remain in force in order to merit Commission approval. If the Applicant, its successor(s) or assignee(s) pursue a legal challenge of any condition herein, the authority to construct facilities granted by this Commission Decision shall be revoked and the Certificate rendered null and void in its entirety without further order of the Commission, and
5. if the expiration date for the CEC granted by Decision No. 64626 is extended, that the following conditions be added to those already contained in Decision No. 64626 –
- a. Applicant shall annually file ten year plans with the Commission in accordance with A.R.S. § 40-360-2.A., participate in subregional transmission planning forums such as SWAT and SATS on a regular basis, and participate in each Biennial Transmission Assessment performed by the Commission.
 - b. In extending the expiration date of the Certificate, the Commission considers the Certificate to be a package of inter-related requirements and ~~conditions that must all remain in force in order to merit Commission~~ approval. If the Applicant, its successor(s) or assignee(s) pursue a legal challenge of any condition herein, the authority to construct facilities granted by this Commission Decision shall be revoked and the Certificate rendered null and void in its entirety without further order of the Commission.

Service List for: Bowie Power Station, LLC
Docket No. L-00000BB-01-0118-00000

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Arizona Power Plant and Transmission
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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION OF
BOWIE POWER STATION, LLC, IN
CONFORMANCE WITH THE REQUIREMENTS OF
ARIZONA REVISED STATUTES 40-360.03 AND 40-
360.06, FOR TWO CERTIFICATES OF
ENVIRONMENTAL COMPATIBILITY
AUTHORIZING CONSTRUCTION OF A 1,000
MEGAWATT NATURAL GAS-FIRED, COMBINED-
CYCLE POWER PLANT, 345kV AND 345kV/230kV
SWITCHYARDS, 245kV DOUBLE-
CIRCUIT TRANSMISSION LINE AND 230kV
INTERCONNECTION AND RELATED FACILITIES
IN COCHISE AND GRAHAM COUNTIES,
ARIZONA. THE PROPOSED POWER STATION
SITE IS LOCATED IN SECTIONS 28 AND 29,
TOWNSHIP 12 SOUTH, RANGE 28 EAST, AND THE
PROPOSED TRANSMISSION LINE ROUTE IS
LOCATED IN TOWNSHIP 12 SOUTH, RANGE 28
EAST, AND THE PROPOSED TRANSMISSION
LINE ROUTE IS LOCATED IN TOWNSHIP 12
SOUTH, RANGE 28 EAST, AND THE PROPOSED
TRANSMISSION LINE ROUTE IS LOCATED IN
TOWNSHIP 12 SOUTH, RANGE 28 EAST,
TOWNSHIP 11 SOUTH, RANGE 28 EAST,
TOWNSHIP 11 SOUTH, RANGE 27 EAST, AND
TOWNSHIP 11 SOUTH, RANGE 26 EAST, GILA
AND SALT RIVER BASE AND MERIDIAN

DOCKET NO. L-00000BB-01-0118-00000
DECISION NO. _____
ORDER

Open Meeting
February 13 and 14, 2007
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the
Arizona Corporation Commission ("Commission") finds, concludes and orders that:

FINDINGS OF FACT

1
2 1. On July 27, 2001, Bowie Power Station, LLC ("Bowie" or "Company") filed with
3 the Arizona Corporation Commission ("Commission") an application for two Certificates of
4 Environmental Compatibility ("CEC"). Decision No. 64625 authorized the construction of a 1,000
5 megawatt ("MW") natural gas-fired, combined-cycle power plant. Decision No. 64626 authorized
6 the construction of the 345 kV and 345 kV/230 kV switchyards, a 345 kV double-circuit
7 transmission line and a 230 kV interconnection and related facilities in Cochise and Graham
8 Counties, Arizona. The Commission granted the two CECs on March 7, 2002, subject to a set of
9 conditions.

10 2. On August 18, 2006, the Company filed a Request For Extension of the CECs
11 ("Extension") approved in Decision Nos. 64625 and 64626. The Extension is based on Condition
12 No. 22 in Decision No. 64625 and Condition No. 10 in Decision No. 64626, which allow that the
13 Applicant may request an extension of the CEC before the time limitation to complete
14 construction.

15 3. This Extension requests that the expiration date for the construction of the power
16 plant and transmission line be extended from March 27, 2007 until (i) March 27, 2008 or (ii) that
17 date upon which the Commission issues a final non-appealable decision in a separate proceeding
18 regarding whether the CECs granted under Decision Nos. 64625 and 64626 should be altered or
19 amended, whichever is sooner. The Company anticipates this separate proceeding as a result of its
20 plans to file a request pursuant to Arizona Revised Statute ("A.R.S.") § 40-252 to amend Decision
21 No. 64625 at which time the Company would present updated environmental impact data for the
22 Integrated Gasification Combined Cycle ("IGCC") plant that the Company is now considering
23 constructing in place of the natural gas-fired combined cycle power plant.

24 4. In its Extension filed on August 18, 2006, the Company had anticipated filing the
25 request for the A.R.S. § 40-252 proceeding "within the next few weeks." However, the
26 Company's present position is that it now plans to file such a request with the Commission
27 sometime in 2007. The Company plans to file a new application, which would propose to amend
28 the original CEC and allow for the construction of a power plant with a new technology, such as
IGCC, with an output of 560 MW in lieu of the approved 1,000 MW gas-fired combined cycle
plant at the same location.

1 5. In the request for the Extension, the Company stated that it is considering
2 modifying the design and technology of the approved plant from a 1,000 MW combined cycle
3 plant (Decision No. 64625) to a 560 MW IGCC plant, based on the unrealized generation market
4 development and uncertainty and volatility in gas prices. However, the Company has not totally
5 abandoned the 1,000 MW gas-fired combined cycle plant.

6 6. In subsequent discussions, Staff was informed that the Company is not planning to
7 request a new CEC for the IGCC plant, but instead will request amendment of the existing CEC
8 under A.R.S. § 40-252. The Company's approach would appear to be, at least in part, in response
9 to the potential perception and/or actions of the investment community should the CEC lapse or
10 the project be abandoned.

11 7. The request for the Extension pertaining to the transmission line approved in
12 Decision No. 64626 is being requested to coincide with that of the power plant, but with the
13 additional consideration that the route for the line may have to be altered. This route change is
14 being contemplated in order to satisfy new requirements from the State Land Department ("SLD").

15 The SLD has changed its policies such that it is now requiring transmission lines to be sited along
16 section lines. Bowie is currently working with the SLD on this issue.

17 8. Staff has reviewed the Extension and the Company's rationale for the Extension.
18 The Company's Self-Certification letter dated December 29, 2007, indicates that Bowie is in
19 compliance with all requirements of Decision Nos. 64625 and 64626 up to this point in time.

20 9. Staff believes that the Company's position in possibly changing the generation
21 technology from a gas-fired plant to a clean coal technology may have some merit and may be
22 reasonable given the market conditions and the volatility in gas prices experienced recently.
23 However, Staff is also cognizant of significant environmental impacts of IGCC technology. IGCC
24 allows for separation of carbon dioxide ("CO₂") from the gas stream.

25 10. It is not known to Staff how Bowie would deal with the global warming related
26 pollutant CO₂. According to Gary Crane of SouthWestern Power Group II, LLC ("SPG"),
27 "Sequestering carbon in the ground or ocean is relatively inefficient and not as permanent as hoped
28 and could impact groundwater." There are other issues of pumping of groundwater for a coal

1 plant, which could cause or aggravate a ground fissure – a crack in the earth that can be 100 feet
2 deep – from overpumping. Therefore, Staff believes that the Company should file an application
3 for a new and separate CEC for the IGCC plant.

4 11. In addition, due to the fact that the Company has not made the decision to
5 completely abandon the construction of the plant approved in Decision No. 64625, Staff
6 recommends that the Company be granted an extension of time to construct the 1,000 MW gas-
7 fired combined cycle plant. Since the construction of this plant has not yet commenced and the
8 Company has not yet filed its application for a new CEC for the IGCC plant, Staff recommends
9 that the expiration date for CEC granted by Decision No. 63625 be extended to December 31,
10 2010. This will allow the Company sufficient time to either construct the 1,000 MW plant or
11 process a new CEC application for the 560 MW IGCC plant.

12 12. If the Company does file an application for a new CEC for the IGCC plant and such
13 a CEC is approved by the Commission, Staff further recommends that the CEC issued in Decision
14 No. 64625 become null and void upon issuance of the CEC for the new IGCC plant.

15 13. Another reason Staff is recommending approval of the CEC extension for the power
16 plant is the presumption of need, as for the Gila Bend Power Partners Project (Decision No.
17 69177) that was recently approved by the Commission.

18 14. According to the 2006 Western Electricity Coordinating Council Power Supply
19 Assessment, the Desert Southwest could be deficient in planned reserve margins as early as 2008.
20 It is postulated by some parties that over the next two to three years the Arizona utilities are likely
21 to fully grow into the currently idled capacity or low capacity factor energy production of new gas
22 fired generation constructed in Arizona since 2001. This is substantiated by the fact that Arizona
23 Public Service Company and Salt River Project both have Requests for Proposals pending for new
24 base load generation of 1,000 MW by the end of this decade.

25 15. There also appears to be a growing regional short term need for access to new
26 resources being developed in the Desert Southwest. This need has been underscored by the
27 discontinued operation of the Mohave Power Plant in southern Nevada. The construction of
28

1 planned new power lines out of the Palo Verde Hub to California and Nevada will further enable
2 transmission access between Arizona power plants and the larger western wholesale market.

3 16. The Bowie generation project is but one of 8 gas fired power plants with an
4 authorized CEC approved by the Commission that have not been constructed. Those 8 plants total
5 5,575 MW in capacity. While the market needs for these plants are soft and ill-defined at the
6 present time, there are signs that the industry is on the cusp of renewed interest in quick, short
7 term, generation fixes for which these plants are well suited. All of these considerations seem to
8 substantiate the presumption of possible need for the Bowie plant and other similar gas fired plants
9 within the next five years.

10 17. As stated earlier, Decision No. 64626 approved the CEC for the transmission line
11 associated with the Bowie generating station. This power plant cannot connect to the grid without
12 the associated transmission line. Therefore, for the reasons stated above, Staff recommends that
13 the CEC granted by Decision No. 64626 also be extended such that it would expire on December
14 31, 2010.

15 18. Since the CECs issued by Decision No. 64625 and 64626 were originally issued,
16 subsequent CECs for power plants and lines have contained additional conditions that are not part
17 of the CECs for the Bowie project. Therefore, Staff recommends that if the Commission grants the
18 time extensions for the Bowie project as recommended by Staff, that it also add the following
19 conditions:

20 For the Bowie power plant –

- 21 A. Applicant shall participate in Arizona subregional transmission planning forums
22 such as SWAT (Southwest Area Transmission) and SATS (Southeast Area
23 Transmission Study) on a regular basis and participate in each Biennial
24 Transmission Assessment performed by the Commission.
- 25 B. Applicant shall document in its annual self-certification letter all steps taken in the
26 previous year to seek a contract for capacity and energy production out of is plant.
27 This should include participation in any and all generation adequacy or planning
28 workshops or assessments sponsored by the Commission.
- 29 C. In extending the expiration date of the Certificate, the Commission considers the
30 Certificate to be a package of inter-related requirements and conditions that must all
31 remain in force in order to merit Commission approval. If the Applicant, its

1 successor(s) or assignee(s) pursue a legal challenge of any condition herein, the
2 authority to construct facilities granted by this Commission Decision shall be
3 revoked and the Certificate rendered null and void in its entirety without further
4 order of the Commission.

4 For the Bowie transmission line –

- 5 A. Applicant shall annually file ten year plans with the Commission in accordance
6 with A.R.S. § 40-360-2.A., participate in subregional transmission planning forums
7 such as SWAT and SATS on a regular basis, and participate in each Biennial
8 Transmission Assessment performed by the Commission.
9 B. In extending the expiration date of the Certificate, the Commission considers the
10 Certificate to be a package of inter-related requirements and conditions that must all
11 remain in force in order to merit Commission approval. If the Applicant, its
12 successor(s) or assignee(s) pursue a legal challenge of any condition herein, the
13 authority to construct facilities granted by this Commission Decision shall be
14 revoked and the Certificate rendered null and void in its entirety without further
15 order of the Commission.

12 19. Based on Staff's analysis of the request to extend the CEC for the Bowie power
13 plant, Staff recommends that:

- 14 A. the expiration date of the CEC approved in Decision Nos. 64625 be extended to
15 December 31, 2010,
16 B. if the Company wishes to pursue the construction of a new IGCC power plant, that
17 it be required to submit an application with the Arizona Power Plant and
18 Transmission Line Siting Committee for a new CEC instead of a request, pursuant
19 to A.R.S. § 40-252, for an amendment to Decision No. 64625,
20 C. the CEC granted by Decision No. 64625 become null and void upon the issuance of
21 a CEC for a new IGCC power plant,
22 D. if the expiration date for the CEC for the Bowie power plant granted by Decision
23 No. 64625 is extended, that the following conditions be added to those already
24 contained in Decision No. 64625 –
25 a. Applicant shall participate in Arizona subregional transmission planning
26 forums such as SWAT and SATS on a regular basis and participate in each
27 Biennial Transmission Assessment performed by the Commission,
28 b. Applicant shall document in its annual self-certification letter all steps taken
in the previous year to seek a contract for capacity and energy production
out of is plant. This should include participation in any and all generation
adequacy or planning workshops or assessments sponsored by the
Commission,
c. In extending the expiration date of the Certificate, the Commission
considers the Certificate to be a package of inter-related requirements and

conditions that must all remain in force in order to merit Commission approval. If the Applicant, its successor(s) or assignee(s) pursue a legal challenge of any condition herein, the authority to construct facilities granted by this Commission Decision shall be revoked and the Certificate rendered null and void in its entirety without further order of the Commission.

20. Based on Staff's analysis of the request to extend the CEC for the Bowie transmission line, Staff recommends that:

A. the expiration date of the CEC approved in Decision Nos. 64626 be extended to December 31, 2010,

B. if the expiration date for the CEC granted by Decision No. 64626 is extended, that the following conditions be added to those already contained in Decision No. 64626

a. Applicant shall annually file ten year plans with the Commission in accordance with A.R.S. § 40-360-2.A., participate in subregional transmission planning forums such as SWAT and SATS on a regular basis, and participate in each Biennial Transmission Assessment performed by the Commission.

b. In extending the expiration date of the Certificate, the Commission considers the Certificate to be a package of inter-related requirements and conditions that must all remain in force in order to merit Commission approval. If the Applicant, its successor(s) or assignee(s) pursue a legal challenge of any condition herein, the authority to construct facilities granted by this Commission Decision shall be revoked and the Certificate rendered null and void in its entirety without further order of the Commission.

21. Staff's recommendations as contained in Findings of Fact Nos. 19 and 20 are reasonable and should be adopted.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the Bowie Power Station, LLC and the subject matter contained herein pursuant to Article XV of the Arizona Constitution and A.R.S. § 40-252 and § 40-360 et seq.

2. Notice of the proceeding has been given in the manner prescribed by law.

3. Amending Decision Nos. 64625 and 64626 as set forth herein is in the public interest in balancing the need for the projects with their impact on the environment and ecology of the state.

ORDER

IT IS THEREFORE ORDERED that Decision No. 64625, approving a Certificate of Environmental Compatibility for Bowie Power Station, LLC to construct and operate a 1,000 megawatt natural gas-fired power generation plant is hereby amended as outlined in Finding of Fact No. 19.

IT IS FURTHER ORDERED that Decision No. 64626, approving a Certificate of Environmental Compatibility for Bowie Power Station, LLC to construct and operate a 345 kV and 345 kV/230 kV switchyards, a 345 kV double-circuit transmission line and a 230 kV interconnection and related facilities is hereby amended as outlined in Finding of Fact No. 20.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2006.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

XXX:XXX:XXX\XXX

Decision No. _____

1 SERVICE LIST FOR: Bowie Power Station, LLC
2 DOCKET NO. L-00000BB-01-0118-00000

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